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final victory of Communism as inevitable, and to be achieved mainly through political forms of struggle. The maintenance and further strengthening of great military power is primarily intended to deter a resort to force by the "imperialist" enemy, and to count as a weighty factor in persuading him to submit peacefully to a succession of political reverses as the revolutionary tide advances. Situations might arise, however, in which the Soviets would judge that military force could be used without unacceptable risk, or that an imminent threat left them with no recourse but to initiate military action.

Let us next examine the trends in various spheres of Soviet activity to include economic, scientific and technical, and the military fields.

TRENDS IN THE SOVIET MILITARY EXPENDITURES

Due to the high priority accorded heavy industry, the Soviet economy has grown at an extraordinary pace over the past decade, twice the rate of US growth, and this growth rate is expected to continue at only a slightly reduced pace. However, the US retains a significant lead in terms of the greater size of its economy, as measured by gross national product. In dollar terms in 1957, the Soviet gross national product was two-fifths that of the US, and in 1965, Soviet GNP will be about half that of the US.

The Soviet allocation of total economic output is radically different from that of the US. In 1957, with the equivalent of about 40

Soviet consumption (or what the consumer receives) was one-third of US consumption;
Soviet investment was two-thirds of US investment;
Soviet expenditures for military goods and services was roughly the same magnitude as US defense expenditures.

(CHART I)

5. Despite our larger economy, the Soviets produce military goods and services with a dollar value roughly the same as the US. The reasons are: (a) in the USSR military goods are less expensive than ours, relative to consumer goods, (b) production for military purposes is from the most efficient sector of the Soviet economy, (c) Soviet total consumption is only about one-third of that of the US and has increased less rapidly than has Soviet GNP and (d) that the average level of real pay and subsistence for Soviet military personnel generally and conscript personnel in particular is much lower than in the US.
6. The composition of Soviet military outlays, in rubles, compared with those of the US, in dollars, shows: (a) The Soviets spend a significantly higher proportion, about 37 percent of the total, for military personnel than does the US, (b) on the other hand, Soviet outlays for operations and maintenance are well below those of the US. This category of expenditure includes civilian backup, maintenance of bases, spare parts, transportation, medical care, etc. (c) major procurement programs account for nearly half of the total in both countries.

(See CHART II)

7. If our estimate of military trends is correct, Soviet defense ex-

penditures will increase gradually, possibly reaching in 1965 a level about 45 percent greater than at present. Given the future projections of Soviet GNP, these expenditures would consumer about the same proportion of GNP than at present. (CHART III) Most of this increase in defense expenditures is expected to be in increased allocations to development and production of modern weapons systems.

8. At the present time, according to our estimates the stated defense funds in the Soviet budget cover about 60 percent of their security outlays defined to include all activities comparable to those conducted by our Department of Defense and Atomic Energy Commission. This excludes mutual defense assistance and stockpiling and defense production expansion. These funds which the Soviets label "Defense" have declined insignificantly from the 96.7 billion rubles planned for 1957 to 96.1 billion for 1959. Other funds are made available under various other budget headings. Soviet "social and cultural" allocations for education provide for most of their military oriented research and development. Militarized security forces of almost one-half million men are provided for in a special fund in the budget. Allocations designated "financing the national economy" provide funds for procurement for product development, testing and evaluation, production engineering, and a substantial amount for other major programs.

9. The goals of recently announced Seven-Year Plan (1959-65) were set out in some detail by Mr. Khrushchev at a meeting of the Central Committee of the Communist Party in Moscow on 12 November 1958. The glowing claim was made that by 1970 "and possibly even earlier, the Soviet Union will gain first place in the world both as regards

the absolute output and the output of goods per capita, which will insure for the population the highest living standards in the world." The hard figures presented, however, are in sharp contrast with this claim, but the goals are nevertheless quite ambitious. This thesis on "catching up" with the US rests on an exaggeration of the size of the Soviet economy relative to the US, and on the assumption that in the future US industrial production will grow at only two percent per year (the 1933-57 rate - the 1948-55 rate is four percent).

10. The Seven-Year Plan reaffirms the traditional emphases upon the rapid growth of heavy industry, and upon maintaining large military programs. Soviet investment, in dollar values currently around two-thirds as great as US investment, will grow more rapidly than Soviet GNP during the next seven years and will approach still closer the absolute size of US investment. But the Plan also provides for other key programs to which the regime has committed itself in recent years. The Soviet leaders intend to go forward with increasing living standards modestly. Programs of lesser cost will include maintaining Soviet power in Eastern Europe by supporting the Satellite economies as needed, assisting the industrialization of Communist China, and backing up Soviet political objectives in underdeveloped countries with trade and aid programs. The main question affecting Soviet economic policy over the coming years is whether these multiple priorities, all of which bear on the competitive struggle with the West in which the Soviet leaders see themselves involved, can be met simultaneously. On the whole, we believe that the Seven-Year Plan production goals are feasible, except in agriculture, but that their achievement will involve considerable strains

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on the economy, and that some programs may have to be modified as
the plan period proceeds.

11. The continuing rapid growth of the Soviet economy not only enables the USSR to develop military power on a scale not possible for any other country but the US, it also constitutes a serious challenge to the western world by:

- Its politico-economic impact in foreign countries receiving aid and credits;
- Its potential attraction for underdeveloped countries desiring a quick end of poverty;
- Its potential for disruption and revision of traditional western economic relationships.

TRENDS IN SOVIET SCIENCE AND TECHNOLOGY

The USSR has for many years placed great emphasis on science and technology with a view to creating a corps of superior personnel and building a scientific establishment adequate to support its aspirations to national power. Soviet scientific effort has been focused preponderantly on the building of a strong industrial base and the development of modern weapons. As a consequence, the USSR's achievements in areas of critical military and industrial significance are comparable to, and in some cases exceed, those of the